

DEFERRED COMPENSATION

New Deferral Opportunities for Plan Participants

The Treasury Department and IRS issued final regulations relating to Section 457 deferred compensation plans. These final regulations, among other things, allow for the deferral of accumulated sick pay, annual leave, and back pay payments that were previously not eligible for deferral under the plan.

At its September meeting, the NDPERS Retirement Board approved adopting these regulations for the State Deferred Compensation Plan. Effective January 1, 2004, employees who participate in the deferred compensation plan and who upon termination of employment will receive a lump sum payment for accumulated annual leave, sick leave, or back pay may defer these payments to the deferred comp plan. These deferrals are treated as part of the participant's annual deferrals, and are subject to the annual limits in effect for the year in which the deferrals are made (\$13,000 in 2004).

Employees must elect to defer sick, annual leave and back pay payments while actively employed and in the month prior to the month of termination by completing PERS form SFN 3803. The regulations do not allow deferrals for severance pay or bonuses.

Terminating employees may not begin to receive distributions from a deferred compensation account until they have been off the payroll of a covered employer for one month.